

## FLUID MINERALS BOND PROCESSING USER GUIDE

IX. Bonds for Protective LeasesKeywords

Protective leases are issued as a result of drainage under the authority of the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 41). A protective lease may or may not require bonding coverage. If drilling is allowed on the leased lands, or directional drilling is allowed from off-lease, a bond is required prior to approval of the APD. If the lease is subject only to allocated production, no bond is required. However, a protective lease held by allocated production usually is covered by an existing statewide, nationwide, or unit bond in which the principal holds an interest in the involved lease. If the MMS requests that the BLM demand payment for any royalty-related obligations on leases having only allocated production, the BLM is not precluded from demanding payment since such leases are included in the terms of the bond.

PROTECTIVE  
LEASE BOND

The procedures for review and acceptance of such bonds are those described above in Section II (for individual bonds) or Section III (for statewide/nationwide bonds).

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